

**Council on Postsecondary Education  
May 22, 2006**

## **Trust Fund Guidelines**

**ACTION: The staff recommends that the Council approve the attached research support, regional stewardship, and workforce development/transfer program guidelines.**

On April 24, 2006, House Bill 380 was enacted by the 2006 General Assembly. The bill authorized funding for three programs recommended by the Council. The Research Support Program received authorization for \$1.5 million of recurring funds in 2006-07 and an additional \$1.5 million of recurring funds in 2007-08 (for a total of \$3.0 million in year two). The Regional Stewardship Program received authorization for \$1.2 million of recurring funds in 2006-07 and an additional \$2.4 million of recurring funds in 2007-08 (for a total of \$3.6 million in year two). Finally, the Workforce Development/Transfer Program received authorization for \$300,000 of nonrecurring funds in 2006-07 and \$1.2 million of recurring funds in 2007-08.

Pursuant to action by the General Assembly regarding these three programs, the staff presents three sets of guidelines for Council action:

- Research Support Program Guidelines (Attachment A)
- Regional Stewardship Program Guidelines (Attachment B)
- Workforce Development/Transfer Program Guidelines (Attachment C)

Public university and KCTCS chief budget officers and chief academic officers were given several opportunities to review and comment on the guidelines during the development process. The draft guidelines also were discussed at the January 30 and May 22 meetings of the Quality and Accountability Policy Group and the Research, Economic Development, and Commercialization Policy Group.

## **Council on Postsecondary Education 2006-08 Research Support Program Guidelines**

### **Introduction**

*The Kentucky Postsecondary Education Improvement Act of 1997 (HB 1)* establishes aggressive goals for the University of Kentucky (UK) and the University of Louisville (UofL). By the year 2020, UK is to become a major comprehensive research institution ranked nationally in the top 20 public universities and UofL is to become a premier, nationally recognized, metropolitan research university. Recognizing the importance of ambitious research agendas for achieving these goals, the Kentucky Department of Commercialization and Innovation, the Council on Postsecondary Education, and UK and UofL officials developed a goal of reaching \$500 million in extramural academic research and development expenditures (\$300 million at UK and \$200 million at UofL) as defined by the National Science Foundation by the year 2010. To attain this goal, both institutions need the necessary infrastructure for a healthy research enterprise.

### **Program Goals**

The primary goals of the Research Support Program are to promote economic development, create high-tech jobs, and raise the average standard of living of Kentucky residents through strategic investments in research faculty at the University of Kentucky and the University of Louisville. To help accomplish these aims, campus administrators are expected to recruit and retain research active faculty in areas of strategic benefit to the Commonwealth. Additional objectives include:

- Generate increases in federal and extramural research expenditures.
- Facilitate Kentucky's transition to a knowledge-based economy.
- Create an environment that fosters increased innovation and opportunities for commercialization.
- Stimulate business development.

### **Program Funding**

As part of its biennial budget recommendation to the Governor, the Council on Postsecondary Education recommended \$4.0 million of recurring funds and \$18.0 million of nonrecurring funds for the Research Support Program in the first year of the 2006-08 biennium. That recommendation included requests for \$4.0 million in recurring funds to build research capacity, \$15.0 million in nonrecurring funds to finance laboratory renovations and equipment purchases, and \$3.0 million in nonrecurring funds to support university research initiatives.

During the 2006 legislative session, the General Assembly appropriated \$1.5 million of recurring funds to the program in 2006-07 and an additional \$1.5 million of recurring funds in 2007-08 (for a total of \$3.0 million in year two). The stated purpose of the appropriation is to provide General Funds to support a research capacity pool.

Research capacity funds will support university efforts to build intellectual capital in areas of strategic benefit to the Commonwealth. The funds will be allocated one-third to the University of Louisville and two-thirds to the University of Kentucky, based on the House Bill 1 statute governing the Research Challenge Trust Fund. To qualify for research capacity funds, each institution should submit a brief one-time proposal outlining the areas being targeted for use of the funds to the Council by close of business October 1, 2006. It is anticipated that, in subsequent biennia, research capacity funds will become recurring to the institutions, rather than to the Research Support Program. The Council staff will seek to have a provision added to the 2008-2010 appropriations bill, so that any research capacity funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be carried forward in the funding program until guideline requirements have been satisfied.

### **Uses of Program Funds**

Research capacity funds will be used to recruit and retain prominent, research-active faculty in areas of strategic benefit to the Commonwealth. Appropriate uses for these funds include start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy for faculty positions in CPE priority areas.

At least 70 percent of program funds must be used to support research-active faculty in university programs of distinction or academic disciplines contained within five economic development clusters:

- Human Health and Development
- Biosciences
- Materials Science and Advanced Manufacturing
- Information Technologies and Communications
- Environmental and Energy Technologies

These clusters define important areas of opportunity for economic growth in the Commonwealth, which could become magnets for both talent and capital.

Program funds must supplement, rather than supplant, existing institutional budget allocations for research faculty within a given discipline.

### **Annual Reporting**

The Council staff, working with the research institutions, will devise and maintain reporting procedures that specify the content and format of Research Support Program annual reports. The reports will include accountability for outcomes that support campus action plans contained within the 2005-2010 Public Agenda.

## Council on Postsecondary Education 2006-08 Regional Stewardship Program Guidelines

### Introduction

In Kentucky, and across the nation, discussions of the mission of postsecondary institutions have focused on their responsibility for meeting the education, health, economic, and civic needs of the public they serve. A fully engaged postsecondary institution is a powerful force that serves as a center for regional and state improvement, including greater economic vitality, better government services, improved public health, and citizens who are more engaged with democratic processes. In addition, students and faculty at engaged institutions are part of a vital educational process that improves teaching and learning and links teaching, learning, and research to public needs.

Effective public engagement with P-12 schools, P-16 councils, employers, entrepreneurs, and government and nonprofit agencies requires alignment of institutional missions, resources, and reward systems with a commitment to stewardship. Public engagement programs, like basic research, are cost centers for postsecondary institutions. Some programs may generate limited funds through contracts with employers and local governments, but most programs that target the needs of public schools, small businesses, and government and nonprofit agencies require the support of public funds.

Recognizing the costs of basic research, the federal government has allocated billions of dollars through agencies like the National Science Foundation to successfully stimulate reallocation of university resources to address a national research agenda. The Regional Stewardship Program adopts this successful model to encourage public postsecondary institutions to expand their efforts to engage regional needs.

The Regional Stewardship Program supports comprehensive university efforts to focus their missions on improving quality of life in their regions or the state and on achieving the aspirations set forth in *The Kentucky Postsecondary Education Improvement Act of 1997* (House Bill 1) and the Public Agenda for postsecondary and adult education in Kentucky for 2005-2010.

### Program Goals

The overarching goal of the Regional Stewardship Program is to promote regional or statewide economic development, livable communities, social inclusion, improved P-12 schools, creative governance, and civic participation through public engagement activities initiated by comprehensive university faculty and staff. To help accomplish this goal, campus administrators are expected to design and implement programs that align institutional resources and infrastructure to support their missions as stewards of place, and to create partnerships and

undertake engagement activities that address regional and state needs. Specific activities include:

- Develop a plan for aligning institutional priorities, resources, and infrastructure to support stewardship initiatives.
- Modify organizational structures, institutional practices, and reward systems to support stewardship activities by faculty and staff.
- Assemble a regional advisory committee comprised of local government and community leaders, business and industry representatives, education leaders, policy professionals, interest groups, and citizens to assist in identifying regional or state needs, opportunities, and stewardship priorities.
- Identify key indicators of regional economic vitality, quality of life, and civic participation and configure information systems to collect and track these data.
- Engage in environmental scanning activities, convene advisory committee meetings, and host public forums to identify regional or state needs, opportunities, and stewardship priorities.
- Produce a planning document that highlights regional needs, opportunities, and priorities and recommends strategies for addressing needs or taking advantage of opportunities.
- Increase awareness among advisory committee members, the campus community, and regional stakeholders of university resources and how those resources can be directed to address identified needs or take advantage of identified opportunities.
- Establish partnerships with local and regional governments, P-12 schools, community and civic organizations, businesses, hospitals, foundations, and philanthropic organizations to garner financial or in-kind support for stewardship activities and increase program impact.
- Encourage faculty members to generate proposals and engage in stewardship activities that promote regional or statewide economic development, livable communities, social inclusion, creative governance, and civic participation.
- Identify key indicators related to the nature and extent of institutional/community interactions and configure information systems to collect and track these data.
- Provide professional development for faculty in engagement related areas and find creative ways of integrating public engagement into teaching and research activities at the institutions.

Specific goals for individual engagement initiatives will be described in program proposals submitted for Council approval and funding. The Council staff will work with campus officials, as needed, to refine goals and identify key indicators for measuring progress toward goal attainment.

### **Program Funding**

As part of its biennial budget recommendation to the Governor, the Council on Postsecondary Education recommended \$3.0 million of recurring funds for the Regional Stewardship Program in the first year of the 2006-08 biennium and an additional \$15.0

million of recurring funds for the program in the second year (i.e., a total of \$18.0 million in year two). During the 2006 legislative session, the General Assembly appropriated \$1.2 million of recurring funds to the program in 2006-07 and an additional \$2.4 million of recurring funds in 2007-08 (for a total of \$3.6 million in year two). These funds will be divided into three pools pending allocation and distribution: (a) infrastructure, (b) regional grants, and (c) stewardship initiatives.

Infrastructure funds will support the development and maintenance of organizational structures, personnel, information systems, and community relationships directed toward the identification of regional needs, opportunities, and stewardship priorities. The size of the infrastructure pool will be \$1.2 million each year of the biennium. Infrastructure funds will be allocated among the Commonwealth's six comprehensive universities in equal amounts of \$200,000 per institution each year. Allocated funds will be distributed upon submission and Council approval of a plan to align institutional priorities, resources, and infrastructure to support and sustain stewardship initiatives at the institution. To qualify for infrastructure funds, each institution should submit a one-time, infrastructure plan to the Council by close of business October 1, 2006. Within 30 days of receipt of the proposals, Council staff will advise the institutions of any noncompliance or nonconformity and shall work with the institutions to help them qualify for the grant. It is anticipated that, in subsequent biennia, infrastructure funds will become recurring to the institutions, rather than to the Regional Stewardship Funding Program. Any infrastructure funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be transferred to the stewardship initiatives pool for distribution on a competitive basis. Any institution that does not qualify to receive its 2006-07 infrastructure pool allocation will be afforded an opportunity to submit an infrastructure plan by June 1 each year thereafter to access funds allocated in subsequent years.

Regional grant funds will support comprehensive university efforts to build intellectual capacity in stewardship priority areas. The size of the regional grant pool will be \$1.8 million in the second year of the biennium. Pool funds will be allocated among the comprehensive universities in equal amounts of \$300,000 per institution. Allocated funds will be distributed upon submission and Council approval of two documents: (1) a strategic plan, produced in collaboration with an institution's advisory committee, which identifies regional needs, opportunities, and stewardship priorities; and (2) a proposal that identifies targeted areas of impact at the university and contains a proposed budget for faculty and staff salaries, and operating expenses, in those areas. To qualify for regional grant funds, each institution should submit a strategic plan for stewardship activities and a priority area proposal to the Council by close of business June 1, 2007. Within 30 days of receipt of the plans and proposals, Council staff will advise the institutions of any noncompliance or nonconformity and shall work with the institutions to help them qualify for the grant. It is anticipated that, once distributed, these funds will become recurring to the institutions, rather than to the Regional Stewardship Funding Program. Any regional grant funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be transferred to the stewardship initiatives pool for distribution on a competitive basis. Any institution that does not qualify to receive its 2007-08 regional grant pool allocation will be afforded an opportunity

to submit a strategic plan and priority area proposal by June 1 each year thereafter to access regional grant funds allocated in subsequent years.

The stewardship initiatives pool will support specific public engagement activities at the institutions that improve economic prosperity, quality of life, and civic participation in the region or state, while furthering the goals and mandates of House Bill 1 and the Public Agenda. The size of the stewardship initiatives pool will be \$600,000 in the second year of the biennium. These funds will be distributed to the comprehensive universities on a competitive basis based on responses to an annual request for proposals issued by Council staff. The Council staff will seek to have a provision added to the 2008-2010 appropriations bill, so that any stewardship initiative funds not distributed by the end of the biennium will be carried forward in the funding program until guideline requirements have been satisfied. The first round of proposals for stewardship initiative funds should be submitted to the Council by close of business October 1, 2007. The second round of proposals is due by close of business June 1, 2008. It is anticipated that, in subsequent biennia, stewardship initiative funds will become recurring to the Regional Stewardship Funding Program maintained at the Council.

### **Uses of Program Funds**

**Infrastructure** - Infrastructure funds will be used to develop and maintain organizational structures, personnel, information systems, advisory committees, and external partnerships necessary to sustain stewardship activities. Appropriate uses for these funds include expenditures for a stewardship coordinator, stewardship staff, and related operating expenses. Infrastructure funds should not be used to support capital outlay or debt service expenditures.

- **Stewardship Coordinator:** Salaries, benefits, and other personnel related expenses associated with a full-time or part-time faculty or administrative staff position responsible for coordinating stewardship program activities at the institution.
- **Stewardship Staff:** Salaries, benefits, and other personnel related expenses associated with full-time or part-time administrative, managerial, or secretarial staff positions that support the program coordinator and stewardship program activities at the institution.
- **Related Operating Expenses:** Expenditures directly attributable to the support and operation of stewardship program activities, including but not limited to the following: (a) travel and related expenses associated with establishing and maintaining external partnerships; (b) costs associated with convening advisory committee meetings or hosting public forums; (c) public awareness campaigns; (d) professional development for faculty in engagement related areas; (e) costs associated with integrating public engagement into the curriculum; (f) costs associated with restructuring faculty role and reward structures; and (g) computer equipment and software, as needed to support stewardship coordinator and staff activities, including development of environmental scanning and institutional/community interaction databases.

**Regional Grants** - Regional grant funds will be used to recruit and retain full-time faculty or professional staff in areas of strategic benefit to a service region, or the state, as identified in an

institution's strategic plan for regional stewardship and its priority area proposal. Appropriate uses for these funds include start-up costs, salaries, benefits, travel, and other professional expenses as permitted by university policy for new faculty or professional staff positions in targeted priority areas. It is anticipated that the addition of newly hired faculty or staff within a given Council approved priority area will result in reduced departmental teaching loads and increased release time, so that participating faculty will have more time to engage in regional stewardship activities.

**Stewardship Initiatives** - Stewardship initiative funds will be directed toward the creation of partnerships and the execution of engagement activities that promote regional or statewide economic development, livable communities, social inclusion, and creative governance, while helping to achieve the goals of House Bill 1 and the Public Agenda. Examples of initiatives that may be funded include, but are not limited to:

- Addressing issues of teacher quality, pre-service training, in-service professional development, or teacher shortages.
- Conducting research that identifies causes and solutions for student achievement gaps.
- Developing community-based research programs that address public problems, such as improving the environment, public health, and transportation.
- Meeting the needs of current employers and creating new economic opportunities for the region or state.
- Increasing citizen participation in democratic processes.
- Helping the region address challenges and opportunities posed by an increasingly diverse population.

### **Uses of Funds Requirements**

The universities that participate in the Regional Stewardship Program shall utilize program funds so that the following requirements are met:

- Infrastructure funds will not be distributed until an institution's plan for aligning its priorities, resources, organizational structure, and reward systems in support of stewardship activities has been submitted and approved by the Council.
- If a university can demonstrate through its infrastructure plan that a sufficient level of institutional personnel and resources are already committed to supporting core stewardship of place functions, then the infrastructure funds provided through this program can be used to build intellectual capacity in targeted impact areas, subject to guideline provisions specifying applicable uses of regional grant funds.
- Regional grant funds will not be distributed until an institution's plan for developing its infrastructure has been submitted and approved by the Council, and its infrastructure funds have been distributed.
- Regional grant funds will not be distributed until an institution's strategic plan for regional stewardship and its priority area proposal have been submitted and approved by the Council.



- Proposals for stewardship initiative funds will not be considered for funding until an institution's strategic plan for stewardship activities and priority area proposal have been submitted and approved, and its regional grant funds have been distributed.

### **Proposal Requirements and Evaluation Criteria**

The comprehensive universities will submit proposals for stewardship initiative funds that adhere to the following requirements:

- The minimum amount of stewardship initiative funds that shall be requested in a single proposal is \$20,000.
- Institutions can submit multi-year proposals for stewardship initiative funds, but will be required to present follow-up proposals for continuation funding every two years for the duration of the project. Continuation funding is not guaranteed. Follow-up proposals will be added to the pool of proposed projects received each year and evaluated on relative merit.
- Each proposal shall contain specific goals for the proposed stewardship activity, identify key indicators that will help monitor progress toward goal attainment, provide clear definitions of expected program outcomes, and contain an evaluation plan.
- Expected outcomes should be clearly linked to documented regional or state needs, such as raising educational attainment levels, improving public health or environmental conditions, promoting economic development, supporting small business development, or increasing civic engagement.
- Each proposal shall contain a plan for linking the proposed engagement activity to the core academic function of the institution, as well as a plan for the ultimate completion of the project or disengagement of the activity.
- Proposals will be evaluated by an assessment team comprised of CPE staff, state agency representatives, and outside consultants with expertise in the stewardship of place arena.

Institutional proposals for stewardship initiative funds will be evaluated based on the criteria listed below. Requests need not meet all the criteria to receive consideration.

- The extent to which the proposed activity addresses significant regional or state needs, or capitalizes on unique opportunities, as identified through assessments involving the institution, its advisory committee, and other appropriate external partners.
- The potential for enhancing collaboration, where feasible. This includes, but is not limited to, partnering with public and independent postsecondary institutions, P-12 organizations, local P-16 councils, local and regional governments, nonprofit agencies, community and civic organizations, businesses, hospitals, foundations, and philanthropic organizations to share costs and increase program impact.
- The extent to which the stewardship activity holds promise for significant and sustainable regional or statewide improvement in the areas of economic development, livable communities, social inclusion, creative governance, and civic participation.

- The availability of financial or in-kind support contributed by local, regional, or state partners, or by the postsecondary institution(s) involved in the project.
- The extent to which the proposed utilization of institutional resources and faculty expertise provide a reasonable expectation that project goals will be achieved.
- The potential for producing publishable results that can be generalized to other regions of Kentucky, or across the nation, to address similar problems or take advantage of similar opportunities.

### **Annual Reporting**

The Council staff, working with the comprehensive universities, will devise and maintain reporting procedures that specify the content and format of Regional Stewardship Program annual reports. The reports will include accountability for outcomes that support campus action plans contained within the 2005-2010 Public Agenda.

## **Council on Postsecondary Education 2006-08 Workforce Development/Transfer Program Guidelines**

### **Introduction**

Kentucky's public agenda for postsecondary education recognizes the importance of workforce education and transfer from two-year to four-year postsecondary institutions to the economic well-being of its citizens. Specifically, it calls for better preparation of graduates to meet workforce needs through partnerships with business and industry, expanded capacity for student transfer to increase degree production, and increases in student financial aid to support transfer.

The Kentucky Community and Technical College System's Campus Action Plan supports the public agenda, focusing on new and improved transfer opportunities through career pathways, ensuring employability skills are incorporated into KCTCS programs, and determining and meeting workforce needs through partnerships with local, regional, and statewide business, industry, and economic development agencies.

The Workforce Development/Transfer Program (WDTP) supports public postsecondary workforce education and transfer initiatives to create a workforce that stimulates business development, creates better jobs and a higher standard of living, and facilitates Kentucky's transition to a knowledge-based economy. The program provides funding for faculty/staff positions, student scholarships, and infrastructure to support workforce education and transfer.

State funds for the program are appropriated to the Postsecondary Workforce Development Trust Fund for the Kentucky Community and Technical College System.

### **Program Goals**

The Council expects program funds to be substantially directed toward supporting workforce education and transfer initiatives that lead to the creation, preservation, or attraction of businesses that will increase the number of good jobs in Kentucky. For these purposes, "good jobs" are defined as jobs that yield income at or above the national per capita income. The fund will increase the number of graduates from KCTCS that are prepared to work in such good jobs.

The Council recognizes the importance of collaboration and encourages use of program funds to promote KCTCS partnerships with business, industry, and four-year institutions that increase degree production and transfer in the science, technology, engineering, and math (STEM) disciplines, health professions, teacher shortage areas, and applied sciences.

The Council recognizes the importance of the KCTCS transfer mission and encourages use of program funds to support initiatives that enhance the transition of students from KCTCS

colleges to four-year institutions. The WDTP will promote transfer through increases in the number of transfer scholarships and improvements in the infrastructure that supports transfer.

The WDTP also should produce increases in sponsored workforce education and training directly attributable to the program and improvement in related student outcome measures (e.g., increased enrollment, retention, graduation, transfer, and employment, especially in high-need workforce areas).

### **Program Funding**

As part of its biennial budget recommendation to the Governor, the Council on Postsecondary Education recommended \$500,000 of nonrecurring funds for the Workforce Development/Transfer Program in the first year of the 2006-08 biennium and \$3.5 million of recurring funds for the program in the second year. During the 2006 legislative session, the General Assembly appropriated \$300,000 of nonrecurring funds to the program in 2006-07 and \$1.2 million in recurring funds in 2007-08. These funds will be divided into two pools pending distribution: (a) endowment and (b) workforce development/transfer.

The endowment pool will support faculty positions, scholarships, and program initiatives that contribute to workforce development in high-need areas and transfer of students to baccalaureate degree programs in areas of strategic benefit to the Commonwealth. The size of the pool will be \$300,000 in the first year of the biennium, which will be matched dollar-for-dollar by KCTCS with funds raised from private sources. Endowment pool funds will be distributed upon submission and approval of funding requests that meet guideline requirements for the program. These funds will be nonrecurring to the institution, but will be added, along with matching private-source funds, to the endowment of the institution to provide a perpetual source of funding for workforce development and transfer initiatives. Any endowment pool funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be carried forward in the trust fund until guideline requirements have been satisfied and the funds are matched.

The workforce development/transfer pool will support KCTCS efforts to build workforce development and transfer programs in areas of demonstrated workforce need. The size of the pool will be \$1.2 million in the second year of the biennium. These funds will be distributed to KCTCS upon submission and approval of a plan to align institutional priorities, resources, and infrastructure to support workforce education and transfer activities in disciplines of strategic benefit to the Commonwealth or in areas of student need as identified in the CPE affordability study. At least 25 percent of the pool (or \$300,000) will fund scholarships that support associate degree completion and transfer of baccalaureate degree-seeking KCTCS associate degree completers to Kentucky public and independent colleges. To qualify for these funds, KCTCS should submit a one-time plan to the Council by close of business June 1, 2007. It is anticipated that, in subsequent biennia, these funds will become recurring to the institution, rather than to the Workforce Development/Transfer Program. Any workforce development/transfer pool funds not distributed by the end of the biennium (i.e., close of business Monday, June 30, 2008) will be carried forward in the trust fund until guideline requirements have been satisfied and the funds are distributed.

## Matching Requirements

In order to receive endowment pool funds, KCTCS must provide dollar-for-dollar matching funds that satisfy the following requirements:

- Gifts and pledges must be newly generated to be eligible for state match. Newly generated contributions are those received by KCTCS after June 1, 2006.
- Gifts and pledges must be from external sources to be eligible for state match. External source contributions are those that originate outside KCTCS or one of its recognized foundations. Eligible sources of funding include, but are not limited to, businesses, non-governmental foundations, hospitals, corporations, and alumni or other individuals.
- The following sources of funding are not eligible for state match:
  - (a) Funds received from federal, state, and local government sources.
  - (b) General Fund and student-derived revenues (e.g., state appropriations, tuition and fees revenue).
  - (c) Funds received from an affiliated KCTCS entity or fund.
  - (d) Funds directed through a nonaffiliated university entity or fund with an origin in conflict with items (a), (b), or (c) above.
- The minimum institutional request amount is \$50,000. KCTCS may combine smaller donations from businesses, nongovernmental foundations, hospitals, corporations, and alumni or other individuals to meet the \$50,000 minimum.
- All funds, both state and private, must be endowed. "Endowed" means only the investment earnings are eligible for expenditure, not the principal.
- Requests for state funds must identify the matching funds that are cash and the matching funds that are pledges.
- Pledges, or promises of future payment, are eligible for state match provided they are based on a written contract or agreement and include a payment schedule, which does not exceed five years from the initial pledge date. Pledge payment schedules showing receipts to date and scheduled future payments are to be included in the audited financial statements of either the institution or the foundation.
- If pledged funds are not received within five years of the initial pledge date, KCTCS must replace the portion of private funds not received with another eligible cash gift or the unmatched portion of the state funds plus an allowance for accrued interest will revert to the trust fund for reallocation. In such cases, a timeframe for the replacement or return of state funds will be negotiated between Council staff and institutional representatives.
- KCTCS officials must notify the Council staff of unpaid pledges six months before the end of the five-year deadline or immediately when a gift has been revoked.

## Uses of Program Funds

As described in the Program Funding section above, Workforce Development/Transfer Program funds will be divided into two pools pending allocation and distribution.

**Endowment Pool** - The endowment pool will be matched with private source funds and added to the KCTCS endowment, where it will provide a perpetual source of funding for workforce development and transfer initiatives. Investment earnings from the endowments will support faculty positions, scholarships, infrastructure, and program initiatives that contribute to workforce development in high-need areas and transfer of students to baccalaureate degree programs in areas of strategic benefit to the Commonwealth.

- **Faculty Positions:** New faculty positions, salary supplements to existing faculty positions, and associated expenses for those positions, including start-up costs, salaries, benefits, travel, and other professional expenses as permitted by KCTCS policy.
- **Scholarships:** Scholarships funded with endowment proceeds will: (1) support undergraduate student completion of KCTCS programs; (2) support transfer of KCTCS associate degree completers to baccalaureate degree programs in career pathways and STEM related disciplines, as well as, in disciplines contained within five new economy clusters identified by the Cabinet for Economic Development as being key to economic development in Kentucky (i.e., Human Health and Development, Biosciences, Materials Science and Advanced Manufacturing, Information Technologies and Communications, Environmental and Energy Technologies); or (3) provide financial aid in areas of student need as identified in the CPE affordability study.
- **Infrastructure:** Expenditures for minor classroom or training facility renovations, faculty start-up packages, equipment and supplies that are directly linked to workforce education and training activities of program faculty, including core workforce training room improvements, equipment upgrades, instruments and supplies, and other workforce education related expenses as permitted by KCTCS policy.

**Workforce Development/Transfer Pool** - Workforce development/transfer pool funds will be used to develop and maintain organizational structures, personnel, and information systems necessary to sustain viable workforce development and transfer programs in areas of demonstrated workforce need. Pool funds will also support associate degree completion and transfer of baccalaureate degree-seeking KCTCS associate degree completers to Kentucky public and independent colleges, especially for students transferring into STEM disciplines, as identified in the Council's Key Indicator Accountability System, and then to other high-need workforce areas. Appropriate uses for these funds include scholarships that support associate degree completion and transfer, expenditures for workforce education, or transfer program faculty salaries, benefits, and related operating expenses. These funds should not be used to support capital outlay or debt service expenditures.

- **Scholarships:** Twenty-five percent of this pool (or \$300,000) will be used to provide scholarships that support associate degree completion and transfer of baccalaureate degree seeking KCTCS associate degree completers. It is intended that a majority of scholarship funds will support the transfer function directly related to the needs of the system as identified by the affordability study and transfer study. These funds should supplement, and not supplant, funding for existing financial aid programs. The

Council will assess the effectiveness of the program through regular reports of the number and percentage of scholarship recipients receiving baccalaureate degrees.

- **Faculty Positions (or Staff):** Salaries, benefits, and other personnel related expenses associated with new faculty (or staff) positions that increase the institution's capacity to produce associate degree and certificate holders in demonstrated areas of workforce need in Kentucky, or that facilitate successful transfer of students to baccalaureate degree programs in the science, technology, engineering, and math (STEM) disciplines, health professions, teacher shortage areas, and applied sciences.
- **Related Operating Expenses:** Expenditures for program and operating expenses that are directly linked to workforce education and transfer activities, including but not limited to the following: (1) education and training materials, media, and equipment that enhance KCTCS capability in workforce education and transfer; (2) development of online programs that promote transfer, transfer of credits, and student enrollment and completion of certificates and degrees in high-need areas; (3) funding for visiting professors and instructors, lecture series, demonstration projects, and faculty exchange that support workforce education and transfer in priority areas; (4) workshops for KCTCS faculty and staff including activities of the Council's Go Higher Kentucky Campaign targeting increased transfer; and (5) expenditures for the dissemination of information and best practices in workforce education and transfer programs (for example, nationally prominent publications and presentations at conferences, symposiums, seminars, or workshops for KCTCS faculty/staff). Expenditures for general personnel expenses that are not directly linked to workforce education or transfer programs do not qualify as infrastructure support activities.

### Use of Funds Requirements

- All endowment pool and matching private funds must be endowed for the purpose of supporting student scholarships, faculty or staff positions, operating expenses, or infrastructure that are directly linked to workforce education or transfer program activities in areas of strategic benefit to the Commonwealth.
- Program funds cannot be used for positions which are primarily administrative. However, professors in workforce education and training programs who may have an appointment such as department chair, center director, or dean are eligible.
- Program funds cannot be used to fund capital construction projects.
- Program funds should supplement, rather than supplant, current KCTCS funding for workforce development and transfer programs.

### Annual Reporting

The Council staff, working with KCTCS, will devise and maintain reporting procedures that specify the content and format of WDTP annual reports. The reports will include accountability for outcomes that support campus action plans contained within the 2005-2010 Public Agenda.